

GAO

## Testimony

Before the Subcommittee on Aviation,  
Committee on Transportation and Infrastructure,  
House of Representatives

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# AIRPORT IMPROVEMENT PROGRAM

## State Block Grant Pilot Program Is a Success

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Telecommunications Issues,  
Resources, Community, and Economic  
Development Division



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Federal Aviation Administration's (FAA) Airport Improvement Program's (AIP) state block grant pilot program. Traditionally, FAA provides AIP project funds directly to airports. In 1987, the Congress authorized FAA to initiate a pilot program using state block grants to provide AIP funds to small airports.<sup>1</sup> Under the pilot program, FAA provides AIP funds directly to participating states that, in turn, select and fund AIP projects at small airports. The participating states also perform FAA's inspection and oversight role at these airports.<sup>2</sup> Seven states were selected to participate in the current program, which is due to expire at the end of fiscal year 1996 unless the Congress reauthorizes it.<sup>3</sup>

My testimony today, which is based on our work for this Subcommittee, focuses on five areas of the state block grant pilot program: (1) the extent to which the seven states are providing at least the same level of services to small airports as FAA previously provided, (2) the factors that have enhanced the states' ability to perform effectively, (3) the benefits that have accrued from the states' participation, (4) the problems that have arisen during the pilot program, and (5) the level of interest that other states have shown in participating in the program.

In summary, we found the following:

- Participating states are providing a broad range of services to small airports and are now performing most of the functions that FAA previously performed. These functions include assisting airports in preparing long-range plans for airport development, providing and overseeing AIP funds, ensuring the implementation of safety and security mandates, and conducting on-site inspections. Both FAA and airport operators have been generally satisfied with the states' implementation of the program.
- A number of factors are responsible for the states' success under the pilot program. All seven states already had a state-financed airport development

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<sup>1</sup>The term "small airport" includes general aviation, reliever, and nonprimary commercial service airports. General aviation airports can accommodate unscheduled passenger taxi and cargo airlines as well as charters, transports, and recreational aircraft. Reliever airports are general aviation airports that FAA has designated to reduce congestion at large primary airports and provide additional access for general aviation. Airports enplaning between 2,500 to 10,000 passengers each year are designated as nonprimary commercial service airports.

<sup>2</sup>P.L. 100-223, The Airport and Airway Safety and Capacity Expansion Act of 1987.

<sup>3</sup>The seven states include Illinois, Michigan, Missouri, New Jersey, North Carolina, Texas, and Wisconsin.

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program when they were selected to participate in the pilot program, and most had previously performed many of the planning and oversight functions for which they are now responsible. Also, most of the states already had enough planners, engineers, grant administrators, and inspectors to implement the program.

- Participating states, airports, and FAA believe that overall they have benefitted from the program. The states have streamlined AIP project approval processes, reduced paperwork requirements, and eliminated the duplication that took place when state and federal activities overlapped. Airports have benefited from the states' streamlined approach, allowing them to obtain project approvals and approvals to change projects more quickly. FAA has been able to shift its resources to other high-priority tasks, thereby partially offsetting reductions in field staff that have occurred in recent years.
- Differences have arisen between FAA and the states over FAA's requirement that the states use its national criteria to rank and approve small airports' requests for projects. The states favor using their own priorities which they say consider not only safety and capacity goals but other factors—such as economic development and the degree of community support for the airport—that FAA's priorities exclude. The states view the block grant program as a means of directing federal funds to airport projects meeting state aviation goals. FAA maintains that its priority system ensures a more equitable treatment of all states while reflecting national priorities.
- Based on a survey we conducted almost 80 percent of those states not participating in the pilot program would be interested in receiving a block grant. The responses to our survey indicate that most states could assume the responsibilities required to manage the grant program because they already have state-funded airport grant programs and staff with experience in planning, grants administering, engineering, and inspecting—factors necessary to carry out the program. Many states expressed concern, however, about the degree of autonomy they would have in allocating block grant funds, and some indicated that they would likely need to direct some of their AIP funds for program administration.

Before discussing our findings in more detail, I would like to provide some background information on FAA's funding of airport development and the state block grant pilot program.

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## Background

In 1987, the Congress directed FAA to choose three states to participate in a state block grant pilot program. While many states already had existing

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state airport capital improvement programs and staff in place to fund development and safety projects at small airports, the block grant program transferred the responsibility for administering AIP grants from FAA to the participating states.

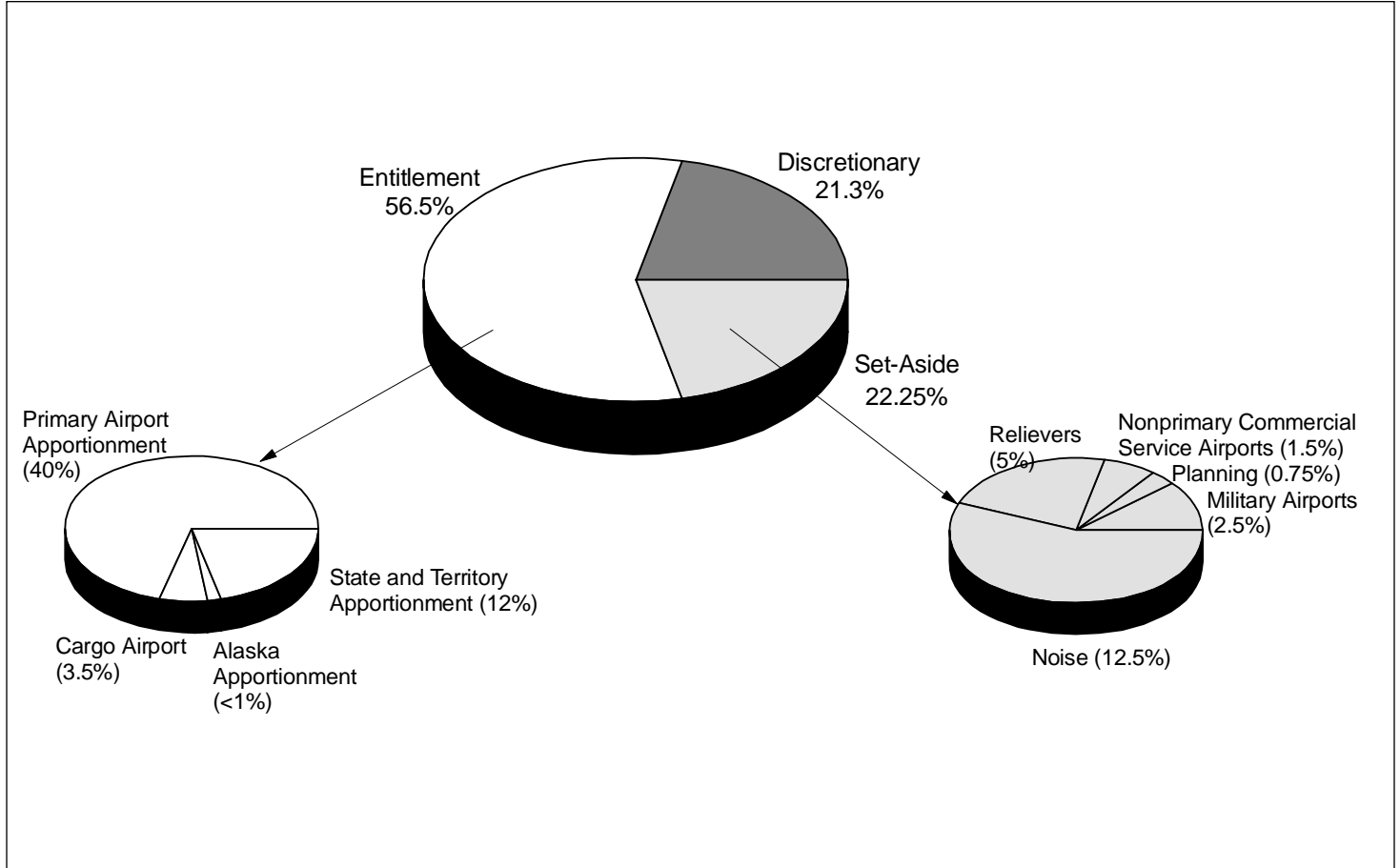
To select the states, the Congress directed FAA to determine whether a state was capable of administering the program, used satisfactory airport system planning and programming processes, and would agree to comply with federal procedures. Furthermore, FAA's regulations stipulated that states accepted into the block grant program could not use AIP funds to finance the costs associated with administering the program unless granted a waiver. Thirty-five states initially expressed interest in participating in the program, 10 states applied, and an FAA review panel recommended that 3 states be selected—Illinois, Missouri, and North Carolina. FAA chose these states, in part, because they were diverse in their organization, staff size, budget, airport systems, and location. After the Congress expanded the program in 1992 to include four additional states, FAA selected Michigan, New Jersey, Texas, and Wisconsin on the basis of the same criteria.

States participating in the pilot program receive a block grant consisting of AIP apportionment funds and, if available, AIP discretionary, and set-aside funds for distribution at small airports (see fig. 1).<sup>4</sup>

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<sup>4</sup>FAA allocates AIP funds to airports through three types of grants—an apportionment, set-asides, and discretionary funds. The apportionment is based on a calculation that takes into account the population and territory of each state and provides a specified amount of funding to be made available to small airports in each state. Set-asides are categories established by the Congress to direct specified amounts of AIP funds to certain projects, such as planning and noise abatement, or to certain types of airports, such as relievers. Discretionary funds are allocated by FAA for airport projects that it views as high priorities, such as enhancing airport capacity.

**Figure 1: Allocation of AIP Funds, Fiscal Year 1995**



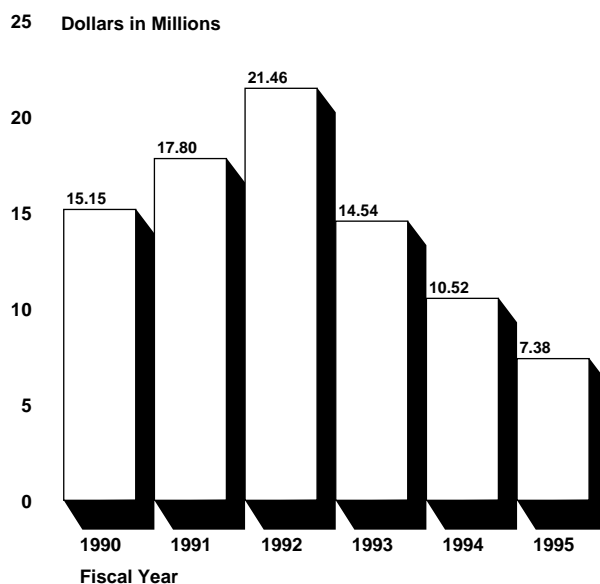
When discretionary and set-aside funds are available for small airports, they are distributed to the participating states for the projects that FAA has approved using its national priority system.<sup>5</sup> According to FAA officials, once the participating states receive their block grant, they can use their AIP funds for eligible projects at any small airport. Airports in nonparticipating states receive their grant funds directly from FAA but often must apply to both their state and FAA for grant approval. The state's approval is necessary if the state provides airports with grant funds to help "match" their AIP grant. All airports, in both participating and

<sup>5</sup>Because there are always more eligible airport projects competing for AIP discretionary funding than there are funds available, FAA has established a national priority system to choose the projects to be funded. FAA calculates a national priority number for each project, using such factors as the size of the airport and the type of development proposed.

nonparticipating states, must provide a certain percentage of funds to match their AIP grants.

Small airports receive, on average, 30 percent of all AIP funds annually, or about \$450 million, for safety, preservation, and development projects at airports.<sup>6</sup> The seven states have seen a steady decline in AIP funds in recent years; the average allocation fell from a high of \$21.5 million in fiscal year 1992 to a low of \$7.4 million in fiscal year 1995 (see fig. 2). The reduction in block grant funding since fiscal year 1992 can be attributed to an overall reduction in appropriated AIP funds and increased competition for discretionary funds, including a reduction in the amount of funding set-aside for nonprimary commercial and reliever airports.

**Figure 2: Average AIP Allocation for Block Grant States**



## Participating States Offer Services Once Provided by FAA

State officials told us that under the block grant program, they have successfully assumed most of FAA's responsibilities for small airports.<sup>7</sup> Most states took on responsibilities in four key areas:

<sup>6</sup>All dollar amounts used in this report have been adjusted to fiscal year 1995 constant dollars.

<sup>7</sup>Each state negotiated an agreement with its local FAA officials specifying the responsibilities that it would assume from FAA for small airports.

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- Planning: States participate in a number of planning tasks with airport officials. Such tasks include assisting with long-range airport planning, approving changes to airport layout plans to reflect future construction plans, and conducting environmental assessments.
  - Grant administration: States help airports select projects qualifying for AIP funding, award AIP grants, issue grant reimbursements, and provide grant oversight.
  - Safety and security inspections: The seven block grant states conduct safety inspections at small airports and investigate compliance issues and zoning concerns.
  - Project construction: States provide technical assistance during the life of a project, including guiding airport sponsors in soliciting bids for construction, approving AIP construction change orders, and monitoring the progress of the project at preconstruction, interim, and final construction inspections.

In 1992, FAA issued a performance review of the first three block grant states in which it concluded that the pilot program was generally working well.<sup>8</sup> Since 1992, FAA has reviewed the implementation of the pilot program in all block grant states and maintains that the program is a success. FAA regional officials told us that some airport officials were initially confused about the delineation of state and federal responsibilities, but this uncertainty has largely disappeared as the states, FAA, and the airport officials have gained experience working with the pilot program.

Officials from small airports with whom we spoke in each block grant state saw no major difference between the services delivered by the states and those previously delivered by FAA. The airport officials told us that they typically see state inspectors more frequently than FAA inspectors and believe that the state inspectors have more direct and current knowledge of individual airport's needs.

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## Several Factors Led to States' Success

The states told us that one factor easing their transition to the block grant program was their prior experience with their own airport improvement programs. Each state had previously administered a state-funded grant program that provided grants, planning, and construction assistance to small airports. Furthermore, these states had provided some matching funds to help airports finance their share of AIP grants; therefore, states

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<sup>8</sup>FAA noted that one of the states, Missouri, had to increase its staff in order to administer the program.



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had been directly involved with many federally administered AIP projects in conjunction with their own efforts to oversee the state's investment. In addition, four of the seven states required their state aviation agencies to participate in the process for approving, distributing, and overseeing federal funds for airport projects; thus, these states had already assumed an oversight role on behalf of the federal government.

According to officials in six of the block grant states, another factor that facilitated their transition to the pilot program was having inspection programs in place when they assumed their new responsibilities. Even before the transition, state inspectors typically had visited the smaller airports more frequently than FAA because the states were already responsible for airport safety inspections and also routinely inspected ongoing airport construction projects.

Having enough staff with the requisite expertise was also important to the block grant states' success. Five of the seven states already had a staff of engineers, planners, grant administrators, and inspectors in place to service and oversee state-funded and AIP projects at small airports. The other two states, Missouri and New Jersey, had smaller state programs with fewer staff and could not initially accommodate the increased workload. Although Missouri state officials sought approval from the state legislature to hire additional staff, their efforts were unsuccessful because the program was a pilot and the legislators viewed its future as uncertain. When New Jersey joined the pilot program, it had a relatively small state grant program and was not providing that same range of services to small airports as FAA had been providing.

To overcome their staffing shortfalls, both states petitioned FAA for a waiver allowing them to use some of their block grant funds to help defray the costs of administering the block grant program. In their petitions, both states indicated that they required more staff and training in order to efficiently manage the program. FAA approved the requests, limiting the amount of the block grant funding used for this purpose to \$75,000 annually.

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## The States, Airports, and FAA Have Benefited From the Program

Participating states and airports in these states have derived important benefits from the state block grant pilot program. First, the program has expedited project approvals because the block grant states may now approve project scope's and financing which formerly required FAA approval. State officials told us that they can provide approval to airports

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more efficiently than FAA. The quicker turnaround time has enabled airports to use their contractors more efficiently—saving time and money on projects. The states now have also acquired the authority to review and approve airport layout plans for future projects. In the past, both the states and FAA reviewed such plans and FAA approved them.

Second, the state officials told us they were able to reduce the paperwork required to apply for federal projects, using their own forms and applications instead of both their own and FAA's. This reduction, which simplified both the application and the review processes, created efficiencies for both the airport and state officials.

Third, the duplication of airport oversight activities has been reduced or, in many cases, eliminated. In the past, for example, both the states and FAA typically conducted inspections during the life of an airport project, because both had provided funds for it. Now, the state is solely responsible for those inspections.

FAA has benefited from the state block grant pilot program because it has been able to shift regional staff resources to deal with other pressing priorities. FAA has thus partially compensated for the effects of attrition and a hiring freeze, which have reduced its airport staff by 12 percent in the affected regions over the past 3 years. The states can now provide oversight for small airports where attrition had, according to some regional officials, already reduced FAA's coverage. FAA can now assign a greater portion of its remaining staff to emerging priorities at larger airports, such as reviewing passenger facility charges and environmental compliance issues. FAA regional officials told us that they are still available to advise the state officials on airport issues and to review many of the documents prepared by state officials.

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## FAA's and States' Purposes and Priorities Have Differed

During the pilot program, FAA's and the states' views on the purpose of the state block grant pilot program have differed. FAA viewed the program's purpose as identifying administrative functions that might be shifted to or shared with the states. FAA also saw the program as a means of (1) giving the states more discretion in selecting and managing projects and (2) testing their ability to improve the delivery of federal funds. In contrast, the states viewed the block grant program as a vehicle for putting funding decisions into the hands of those with firsthand knowledge of the projects competing for funds.

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FAA's and the states' views on the priorities for using AIP funds have also differed. FAA maintains that federal funds should be used to meet the needs of the nation's airport system. FAA implemented a new system for prioritizing allocations of AIP discretionary funds in 1993.<sup>9</sup> According to the states, however, FAA's national system does not adequately weigh the needs of small airports or reflect the goals of the individual states. The states in the pilot program expressed a desire for autonomy in allocating AIP funds according to their own priorities rather than those established by FAA.

FAA applied its national priority system to all AIP projects competing for discretionary funds, including those submitted from the block-grant states. Furthermore, although the system applied only to requests for discretionary funds, state officials from five block grant states told us that FAA had directed them to allocate their apportionment funds in accordance with the national priority system or risk losing the opportunity to compete for discretionary funds. Before 1993, FAA had allowed the block grant states greater flexibility in setting their own project priorities when distributing apportionment and discretionary funds, and many had used their own priority systems. State officials told us that their priority systems emphasized high-priority safety and capacity-enhancement systems as required by FAA's system; however, the state systems target the funds to the airports that the states deem most important. These airports are not necessarily the same as those that FAA deems most important.

FAA's and the states' differences in priorities have led to differences of opinion about how AIP funds should be spent. Under the state block grant law, states selected to participate in the program must have a process in place to ensure that the needs of the national airport system will be addressed when the states decide which projects will receive AIP funds. State officials said that they fulfill this requirement when they use their own priority systems to direct AIP funds to eligible projects at airports included in FAA's National Plan of Integrated Airport Systems (NPIAS).<sup>10</sup> In FAA's view, however, according to the Director of FAA's Office of Airport Planning and Programming, the state block grant program is a tool to develop a national system of airports and the priority system is one method to ensure the development of that system. An attorney from FAA's

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<sup>9</sup>FAA had previously distributed AIP discretionary funds on the basis of the regions' historic use of funds and project priorities established by its regional and district staff.

<sup>10</sup>NPIAS is FAA's multi-year planning document intended to identify airports and projects critical to the national system. It includes about 3,300 airports. Airports included in NPIAS are eligible for AIP funding.

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Chief Counsel's Office, Airport Laws Branch, said that FAA had adequate authority to require the block grant states to adhere to the national priority system when distributing grant funds. He added that unless FAA receives other direction from the Congress, it should continue to require the block grant states to abide by its national priority system.

State officials expressed concern that using FAA's national system does not allow them to take advantage of their expertise to direct federal funds to the airport projects that will go the farthest toward achieving the aviation goals established by their states. In their view, a primary purpose of the block grant program is to put decision-making power in the hands of decisionmakers with firsthand knowledge. State officials said they had sufficient information to make sound funding decisions on their own, because they routinely visit and inspect airports, establish local and state aviation goals, and develop state plans and priority systems.

Three of the block grant states said that they had applied or would like to apply block-grant funds to projects that, under FAA's national priority system, probably would not rank high enough to receive funding even though the projects would increase safety or capacity.

- North Carolina. State officials said that, until very recently, North Carolina has had little need for reliever airports to help reduce congestion at busy commercial service airports. Now, however, this need is acute. As a result, the state has placed high priority on using its block grant funds to build new reliever airports or help general aviation airports evolve into reliever airports. To achieve its goal, North Carolina has requested AIP reliever set-aside funds and also used most of its AIP apportionment funds, (typically used for projects at general aviation airports) for projects at reliever airports. State officials said that had they used FAA's priority system in allocating these funds, the types of airports and the projects funded would have been different.
- New Jersey. The state has chosen to save its block-grant funds over the past few years to amass enough money to buy a private general aviation airport. Officials said that most of the state's remaining general aviation airports are privately owned, and many of the owners are either considering closing or have already closed their airports because of increased costs for property taxes and liability insurance. The state would eventually like to purchase several small airports, preserving them for general aviation access. Under FAA's criteria, purchasing new general aviation airports is a relatively low priority that probably would not be funded.

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- Missouri. State officials said that in the first years of their program, they provided grants to airports that needed safety-related upgrades but had not previously received AIP funding, either because the airports were too small or the types of projects had not met FAA's funding criteria. State officials told us that the initial block grant program was scheduled to last for 2 years and they felt compelled to issue as many grants to small airports as possible during that time. Thus, the state awarded more grants to more airports than FAA would have typically funded in a similar period with the same amount of money.

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## States' Interest in Participating in the Program Is High, but Concerns Exist About Lack of Flexibility

We conducted a nationwide survey to determine whether states would be interested in participating in a block grant program. Of the 43 nonparticipating states, 34, or 79 percent, indicated that they would be interested in participating in such a program and appeared capable of doing so.<sup>11</sup> (See app. I for a list of the 34 states interested in participating in the block grant program.) Many states wanted the flexibility to manage airport funds and financial assistance to administer the program.

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## Most States Appear Capable of Managing AIP Funds for Small Airports

Nearly all of the states expressing interest in the block-grant program already manage state-funded capital improvement programs of their own. Many of the state programs include funding for airport maintenance projects and emphasize aviation safety and education for pilots and the community at large.

The majority of the states that expressed an interest in the block grant program appear to have the staff with the types of expertise that would be needed to successfully administer AIP grants for general aviation airports. In response to our survey, over 59 percent of the interested states said they had at least one full-time engineer, grant administrator, planner, and airport inspector. In addition, in 1995, over 71 percent of the interested states reported that they used either contract employees, personnel from other state agencies, or both to augment their own staff's expertise.

Besides having staff with the requisite skills, the states interested in joining the block grant program have already assumed many of the responsibilities taken on by block grant states. Over 90 percent of these states currently perform half or more of the tasks normally performed by FAA. These tasks include assisting airports in land acquisition and sales,

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<sup>11</sup>Forty-nine states and one territory (Guam) responded to the survey. However, we did not include the seven block grant states' responses in our analysis.

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assisting airports in identifying improvement projects and eligible projects, and reviewing plans and specifications for specific projects.

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## Interested States Would Like More Autonomy to Manage AIP Funds

Many of the interested states would be more inclined to participate in the block grant program if they could use their own methodology for selecting projects. Over three-quarters of the states interested in the block grant program currently have their own systems for prioritizing airport projects. We reviewed several of these systems and found that they include many of the same elements that appear in FAA's priority system, including high priorities for safety projects. However, in some instances, states prioritize projects that would be ineligible for funding using FAA's priority system, such as constructing general aviation terminals and hangars. In addition, we found that when assessing an eligible project's priority for funds, some states consider factors that FAA's priority system does not, such as whether (1) an airport has the potential to enhance economic development in a community, (2) an airport has an ongoing airfield maintenance program, or (3) a project has local financial, political, or zoning support.

Sixty-two percent of the interested states also said they would request additional funding to administer the block grant program. Over half of the interested states said that they hoped to obtain this additional funding from a combination of state and federal funds. Twenty-nine percent of the interested states indicated that FAA would have to provide additional funding. Fifteen percent of the states either planned to obtain additional funding solely from their own state or would not seek additional funds.

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## Conclusions

The pilot program has demonstrated that, with good preparation, states can manage AIP grants to small airports. If the Congress elects to extend or expand the block-grant program before it expires in 1996, many states appear interested in participating, and most seem to have the programs and staff in place to do the job.

In our view, the key question now is not whether the states can administer the program, but whose set of priorities should prevail—FAA's or the states'. Each set of priorities stems from a reasonable position. On the one hand, FAA maintains that federal funds should first be used to meet the needs of a national airport system. On the other hand, the states may prefer to allocate federal funds to local needs, such as encouraging economic development in particular areas or allocating funds to airports that have never ranked high enough to receive competitively awarded

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grants. FAA has taken the position that unless it receives alternative direction from the Congress, it will continue to require the states to use its national priorities and the states will risk losing discretionary grant funds if they choose otherwise. We make no recommendation as to whether the states should be required to follow FAA's national priorities or be left free to make their own decisions. However, any policy change may require the Congress to change the current method for allocating AIP funds for small airports, since airports of all sizes compete for AIP discretionary funds.

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Mr. Chairman, this concludes our prepared statement. We would be happy to respond to any questions you or the Members of the Subcommittee may have.

# Nonparticipating States Interested in the Block Grant Program

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Alabama  
Alaska  
Arizona  
Arkansas  
California  
Colorado  
Connecticut  
Delaware  
Florida  
Georgia  
Hawaii  
Idaho  
Iowa  
Kentucky  
Louisiana  
Maine  
Massachusetts  
Minnesota  
Mississippi  
Montana  
Nebraska  
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